

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
TOWN OF AVILLA
NOBLE COUNTY, INDIANA
January 1, 2009 to December 31, 2010



FILED
11/15/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Nancy Fischer	01-01-08 to 12-31-11
President of the Town Council	Paul Shepherd	01-01-09 to 12-31-11
Superintendent of Utilities	Jeff Notestine (Vacant) Brian Carrol	01-01-09 to 01-31-09 02-01-09 to 03-31-09 04-01-09 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF AVILLA, NOBLE COUNTY, INDIANA

We have examined the financial statements of the Town of Avilla (Town), for the period of January 1, 2009 to December 31, 2010. The Town's management is responsible for the financial statements. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2009 and 2010, on the basis of accounting described in Note 1.

The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Town's management and the Town Council, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

September 21, 2011

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FINANCIAL STATEMENTS

The financial statements and accompanying notes were approved by management of the Town. The financial statements and notes are presented as intended by the Town.

TOWN OF AVILLA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
General	\$ 152,276	\$ 737,987	\$ 709,727	\$ 180,536
Motor Vehicle Highway	104,440	201,742	264,395	41,787
Local Road and Street	10,593	9,279	17,789	2,083
Avilla Park Improvement	1,250	-	-	1,250
LECE	2,940	1,772	1,444	3,268
Park and Recreation	48,778	5,485	31,292	22,971
Fire Donation	197	1,187	47	1,337
Park Donation	2,378	715	450	2,643
Rainy Day	22,254	20,665	38,851	4,068
Levy Excess	-	10,129	-	10,129
Water Revolving Grant Program	-	58,193	42,263	15,930
Wastewater Revolving Grant Program	-	58,193	42,263	15,930
Wastewater and Water Revolving Loan	114,707	1,678	116,385	-
Police Donation	5,930	6,330	10,945	1,315
TIF	409,470	510,405	216,238	703,637
Cumulative Fire	77,521	15,226	6,085	86,662
CEDIT	398,929	87,853	20,000	466,782
Cumulative Capital Improvement	7,472	6,283	-	13,755
Payroll	16,611	696,559	695,546	17,624
Electric Operating	1,580,766	2,323,272	2,465,183	1,438,855
Electric Bond and Interest	20,665	247,985	123,992	144,658
Electric Depreciation	346,128	242	-	346,370
Electric Meter Deposits	62,571	14,628	17,627	59,572
Electric Cash Change	25	-	-	25
Electric Debt Reserve	253,099	-	-	253,099
Electric Cash Reserve	154,486	-	-	154,486
Wastewater Operating	494,881	492,891	712,121	275,651
Wastewater Sinking	80,673	680,385	323,057	438,001
Wastewater Customer Deposits	11,277	2,396	2,816	10,857
Wastewater Cash Change	25	-	-	25
Wastewater Debt Reserve	415,749	-	156,723	259,026
Cumulative Wastewater	6,421	-	-	6,421
Water Operating	118,128	226,958	248,631	96,455
Water Bond and Interest	202,956	55,348	52,529	205,775
Water Meter Deposits	12,460	2,380	2,800	12,040
Water Improvement	320,840	-	50,768	270,072
Water Cash Change	25	-	-	25
Water Debt Service	74,835	-	-	74,835
Totals	<u>\$ 5,531,756</u>	<u>\$ 6,476,166</u>	<u>\$ 6,369,967</u>	<u>\$ 5,637,955</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF AVILLA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 180,536	\$ 663,119	\$ 724,284	\$ 119,371
Motor Vehicle Highway	41,787	300,812	211,538	131,061
Local Road and Street	2,083	9,493	5,364	6,212
Avilla Park Improvement	1,250	-	-	1,250
LECE	3,268	1,786	1,029	4,025
Drug Free Indiana	-	1,421	1,421	-
Park and Recreation	22,971	50,923	29,327	44,567
Fire Donation	1,337	33	-	1,370
Park Donation	2,643	250	115	2,778
Rainy Day	4,068	33,379	10,092	27,355
Levy Excess	10,129	1,811	-	11,940
Water Revolving Grant Program	15,930	-	-	15,930
Wastewater Revolving Grant Program	15,930	-	-	15,930
Police Donation	1,315	12,271	7,674	5,912
TIF	703,637	437,564	280,101	861,100
Cumulative Fire	86,662	13,455	-	100,117
CEDIT	466,782	110,616	39,050	538,348
Cumulative Capital Improvement	13,755	6,000	-	19,755
Payroll	17,624	697,483	698,098	17,009
Electric Operating	1,438,855	2,462,538	2,947,268	954,125
Electric Bond and Interest	144,658	247,383	121,586	270,455
Electric Depreciation	346,370	506	-	346,876
Electric Meter Deposits	59,572	15,020	13,190	61,402
Electric Cash Change	25	-	-	25
Electric Debt Reserve	253,099	-	-	253,099
Electric Cash Reserve	154,486	-	125,382	29,104
Wastewater Operating	275,651	476,970	693,371	59,250
Wastewater Sinking	438,001	510,724	291,154	657,571
Wastewater Customer Deposits	10,857	1,860	1,360	11,357
Wastewater Cash Change	25	-	-	25
Wastewater Debt Reserve	259,026	-	2,450	256,576
Cumulative Wastewater	6,421	-	-	6,421
Water Operating	96,455	225,043	277,519	43,979
Water Bond and Interest	205,775	33,007	55,250	183,532
Water Meter Deposits	12,040	1,860	1,455	12,445
Water Improvement	270,072	-	71,902	198,170
Water Cash Change	25	-	-	25
Water Debt Service	74,835	-	-	74,835
Totals	<u>\$ 5,637,955</u>	<u>\$ 6,315,327</u>	<u>\$ 6,609,980</u>	<u>\$ 5,343,302</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF AVILLA
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, electric, water, wastewater services.

The accompanying financial statements present the financial information for the Town (primary government), and does not include financial information for any of the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Town (primary government).

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF AVILLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

TOWN OF AVILLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

H. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the Statements were compiled. These differences are considered trivial and do not affect the overall presentation of the financial statements.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government

TOWN OF AVILLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

The Town may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Town by recording as a disbursement and replacement items purchased.

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

TOWN OF AVILLA
NOTES TO FINANCIAL STATEMENTS
(Continued)

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

Note 7. Subsequent Event

Waterworks Revenue Bonds of 1995 had a balance of \$230,000 at December 31, 2010, and were paid off on April 21 2011.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the Town which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was prepared and/or approved by management of the Town. It is presented as intended by the Town.

TOWN OF AVILLA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009

	General	Motor Vehicle Highway	Local Road and Street	Avilla Park Improvement	LECE	Park and Recreation	Fire Donation
Cash and investments - beginning	\$ 152,276	\$ 104,440	\$ 10,593	\$ 1,250	\$ 2,940	\$ 48,778	\$ 197
Receipts:							
Taxes	480,626	135,455	-	-	-	9	-
Licenses and permits	2,158	-	-	-	1,120	-	-
Intergovernmental	228,652	64,208	9,279	-	-	-	-
Charges for services	18,471	-	-	-	619	-	-
Fines and forfeits	1,519	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	6,561	2,079	-	-	33	5,476	1,187
Total receipts	<u>737,987</u>	<u>201,742</u>	<u>9,279</u>	<u>-</u>	<u>1,772</u>	<u>5,485</u>	<u>1,187</u>
Disbursements:							
Personal services	503,959	93,489	-	-	-	10,726	-
Supplies	54,439	6,756	-	-	221	3,477	-
Other services and charges	143,715	161,397	17,789	-	1,223	15,448	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	346	47
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	7,614	2,753	-	-	-	1,295	-
Total disbursements	<u>709,727</u>	<u>264,395</u>	<u>17,789</u>	<u>-</u>	<u>1,444</u>	<u>31,292</u>	<u>47</u>
Excess (deficiency) of receipts over disbursements	<u>28,260</u>	<u>(62,653)</u>	<u>(8,510)</u>	<u>-</u>	<u>328</u>	<u>(25,807)</u>	<u>1,140</u>
Cash and investments - ending	<u>\$ 180,536</u>	<u>\$ 41,787</u>	<u>\$ 2,083</u>	<u>\$ 1,250</u>	<u>\$ 3,268</u>	<u>\$ 22,971</u>	<u>\$ 1,337</u>

TOWN OF AVILLA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	Park Donation	Rainy Day	Levy Excess	Water Revolving Grant Program	Wastewater Revolving Grant Program	Wastewater and Water Revolving Loan	Police Donation Fund
Cash and investments - beginning	\$ 2,378	\$ 22,254	\$ -	\$ -	\$ -	\$ 114,707	\$ 5,930
Receipts:							
Taxes	-	20,665	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	715	-	10,129	58,193	58,193	1,678	6,330
Total receipts	715	20,665	10,129	58,193	58,193	1,678	6,330
Disbursements:							
Personal services	-	-	-	2,379	2,379	-	-
Supplies	450	-	-	-	-	-	-
Other services and charges	-	38,851	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	39,884	39,884	-	10,945
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	116,385	-
Total disbursements	450	38,851	-	42,263	42,263	116,385	10,945
Excess (deficiency) of receipts over disbursements	265	(18,186)	10,129	15,930	15,930	(114,707)	(4,615)
Cash and investments - ending	\$ 2,643	\$ 4,068	\$ 10,129	\$ 15,930	\$ 15,930	\$ -	\$ 1,315

TOWN OF AVILLA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	TIF	Cumulative Fire	CEDIT	Cumulative Capital Improvement	Payroll	Electric Operating	Electric Bond and Interest
Cash and investments - beginning	\$ 409,470	\$ 77,521	\$ 398,929	\$ 7,472	\$ 16,611	\$ 1,580,766	\$ 20,665
Receipts:							
Taxes	510,405	15,094	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	132	86,997	6,283	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	856	-	696,559	2,323,272	247,985
Total receipts	<u>510,405</u>	<u>15,226</u>	<u>87,853</u>	<u>6,283</u>	<u>696,559</u>	<u>2,323,272</u>	<u>247,985</u>
Disbursements:							
Personal services	-	-	10,000	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	216,238	-	10,000	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	123,992
Capital outlay	-	5,765	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	2,093,309	-
Other disbursements	-	320	-	-	695,546	371,874	-
Total disbursements	<u>216,238</u>	<u>6,085</u>	<u>20,000</u>	<u>-</u>	<u>695,546</u>	<u>2,465,183</u>	<u>123,992</u>
Excess (deficiency) of receipts over disbursements	<u>294,167</u>	<u>9,141</u>	<u>67,853</u>	<u>6,283</u>	<u>1,013</u>	<u>(141,911)</u>	<u>123,993</u>
Cash and investments - ending	<u>\$ 703,637</u>	<u>\$ 86,662</u>	<u>\$ 466,782</u>	<u>\$ 13,755</u>	<u>\$ 17,624</u>	<u>\$ 1,438,855</u>	<u>\$ 144,658</u>

TOWN OF AVILLA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	Electric Depreciation	Electric Meter Deposits	Electric Cash Change	Electric Debt Reserve	Electric Cash Reserve	Wastewater Operating
Cash and investments - beginning	\$ 346,128	\$ 62,571	\$ 25	\$ 253,099	\$ 154,486	\$ 494,881
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	1,500
Other receipts	242	14,628	-	-	-	491,391
Total receipts	<u>242</u>	<u>14,628</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>492,891</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	17,627	-	-	-	377,356
Other disbursements	-	-	-	-	-	334,765
Total disbursements	<u>-</u>	<u>17,627</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>712,121</u>
Excess (deficiency) of receipts over disbursements	<u>242</u>	<u>(2,999)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(219,230)</u>
Cash and investments - ending	<u>\$ 346,370</u>	<u>\$ 59,572</u>	<u>\$ 25</u>	<u>\$ 253,099</u>	<u>\$ 154,486</u>	<u>\$ 275,651</u>

TOWN OF AVILLA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	Wastewater Sinking	Wastewater Customer Deposits	Wastewater Cash Change	Wastewater Debt Reserve	Cumulative Wastewater	Water Operating
Cash and investments - beginning	\$ 80,673	\$ 11,277	\$ 25	\$ 415,749	\$ 6,421	\$ 118,128
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	205,548
Other receipts	680,385	2,396	-	-	-	21,410
Total receipts	680,385	2,396	-	-	-	226,958
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	244,963	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	2,816	-	-	-	212,785
Other disbursements	78,094	-	-	156,723	-	35,846
Total disbursements	323,057	2,816	-	156,723	-	248,631
Excess (deficiency) of receipts over disbursements	357,328	(420)	-	(156,723)	-	(21,673)
Cash and investments - ending	\$ 438,001	\$ 10,857	\$ 25	\$ 259,026	\$ 6,421	\$ 96,455

TOWN OF AVILLA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	Water Bond and Interest	Water Meter Deposits	Water Improvement	Water Cash Change	Water Debt Service	Totals
Cash and investments - beginning	\$ 202,956	\$ 12,460	\$ 320,840	\$ 25	\$ 74,835	\$ 5,531,756
Receipts:						
Taxes	-	-	-	-	-	1,162,254
Licenses and permits	-	-	-	-	-	3,278
Intergovernmental	-	-	-	-	-	395,551
Charges for services	-	-	-	-	-	19,090
Fines and forfeits	-	-	-	-	-	1,519
Utility fees	-	-	-	-	-	207,048
Other receipts	55,348	2,380	-	-	-	4,687,426
Total receipts	55,348	2,380	-	-	-	6,476,166
Disbursements:						
Personal services	-	-	-	-	-	622,932
Supplies	-	-	-	-	-	65,343
Other services and charges	-	-	-	-	-	604,661
Debt service - principal and interest	52,529	-	-	-	-	421,484
Capital outlay	-	-	-	-	-	96,871
Utility operating expenses	-	1,511	-	-	-	2,705,404
Other disbursements	-	1,289	50,768	-	-	1,853,272
Total disbursements	52,529	2,800	50,768	-	-	6,369,967
Excess (deficiency) of receipts over disbursements	2,819	(420)	(50,768)	-	-	106,199
Cash and investments - ending	\$ 205,775	\$ 12,040	\$ 270,072	\$ 25	\$ 74,835	\$ 5,637,955

TOWN OF AVILLA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road and Street	Avilla Park Improvement	LECE	Drug Free Indiana	Park and Recreation
Cash and investments - beginning	\$ 180,536	\$ 41,787	\$ 2,083	\$ 1,250	\$ 3,268	\$ -	\$ 22,971
Receipts:							
Taxes	235,289	232,938	-	-	-	-	45,161
Licenses and permits	5,526	-	-	-	1,250	-	-
Intergovernmental	398,565	66,136	9,493	-	-	1,421	344
Charges for services	16,878	-	-	-	516	-	28
Fines and forfeits	1,582	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	5,279	1,738	-	-	20	-	5,390
Total receipts	<u>663,119</u>	<u>300,812</u>	<u>9,493</u>	<u>-</u>	<u>1,786</u>	<u>1,421</u>	<u>50,923</u>
Disbursements:							
Personal services	515,555	96,165	-	-	-	-	9,424
Supplies	61,774	11,625	-	-	470	-	4,384
Other services and charges	138,009	103,748	5,364	-	559	1,421	13,665
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	7,123	-	-	-	-	-	1,854
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	1,823	-	-	-	-	-	-
Total disbursements	<u>724,284</u>	<u>211,538</u>	<u>5,364</u>	<u>-</u>	<u>1,029</u>	<u>1,421</u>	<u>29,327</u>
Excess (deficiency) of receipts over disbursements	<u>(61,165)</u>	<u>89,274</u>	<u>4,129</u>	<u>-</u>	<u>757</u>	<u>-</u>	<u>21,596</u>
Cash and investments - ending	<u>\$ 119,371</u>	<u>\$ 131,061</u>	<u>\$ 6,212</u>	<u>\$ 1,250</u>	<u>\$ 4,025</u>	<u>\$ -</u>	<u>\$ 44,567</u>

TOWN OF AVILLA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Fire Donation	Park Donation	Rainy Day	Levy Excess	Water Revolving Grant Program	Wastewater Revolving Grant Program	Police Donation
Cash and investments - beginning	\$ 1,337	\$ 2,643	\$ 4,068	\$ 10,129	\$ 15,930	\$ 15,930	\$ 1,315
Receipts:							
Taxes	-	-	33,379	1,811	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	4,500
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	33	250	-	-	-	-	7,771
Total receipts	<u>33</u>	<u>250</u>	<u>33,379</u>	<u>1,811</u>	<u>-</u>	<u>-</u>	<u>12,271</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	115	-	-	-	-	4,500
Other services and charges	-	-	10,092	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	3,174
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>115</u>	<u>10,092</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,674</u>
Excess (deficiency) of receipts over disbursements	<u>33</u>	<u>135</u>	<u>23,287</u>	<u>1,811</u>	<u>-</u>	<u>-</u>	<u>4,597</u>
Cash and investments - ending	<u>\$ 1,370</u>	<u>\$ 2,778</u>	<u>\$ 27,355</u>	<u>\$ 11,940</u>	<u>\$ 15,930</u>	<u>\$ 15,930</u>	<u>\$ 5,912</u>

TOWN OF AVILLA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	TIF	Cumulative Fire	CEDIT	Cumulative Capital Improvement	Payroll	Electric Operating	Electric Bond and Interest
Cash and investments - beginning	\$ 703,637	\$ 86,662	\$ 466,782	\$ 13,755	\$ 17,624	\$ 1,438,855	\$ 144,658
Receipts:							
Taxes	437,564	13,332	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	123	81,566	6,000	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	2,404,926	-
Other receipts	-	-	29,050	-	697,483	57,612	247,383
Total receipts	<u>437,564</u>	<u>13,455</u>	<u>110,616</u>	<u>6,000</u>	<u>697,483</u>	<u>2,462,538</u>	<u>247,383</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	280,101	-	39,050	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	121,586
Capital outlay	-	-	-	-	-	116,706	-
Utility operating expenses	-	-	-	-	-	2,583,180	-
Other disbursements	-	-	-	-	698,098	247,382	-
Total disbursements	<u>280,101</u>	<u>-</u>	<u>39,050</u>	<u>-</u>	<u>698,098</u>	<u>2,947,268</u>	<u>121,586</u>
Excess (deficiency) of receipts over disbursements	<u>157,463</u>	<u>13,455</u>	<u>71,566</u>	<u>6,000</u>	<u>(615)</u>	<u>(484,730)</u>	<u>125,797</u>
Cash and investments - ending	<u>\$ 861,100</u>	<u>\$ 100,117</u>	<u>\$ 538,348</u>	<u>\$ 19,755</u>	<u>\$ 17,009</u>	<u>\$ 954,125</u>	<u>\$ 270,455</u>

TOWN OF AVILLA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Electric Depreciation	Electric Meter Deposits	Electric Cash Change	Electric Debt Reserve	Electric Cash Reserve	Wastewater Operating
Cash and investments - beginning	\$ 346,370	\$ 59,572	\$ 25	\$ 253,099	\$ 154,486	\$ 275,651
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	469,482
Other receipts	506	15,020	-	-	-	7,488
Total receipts	<u>506</u>	<u>15,020</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>476,970</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	13,190	-	-	-	372,646
Other disbursements	-	-	-	-	125,382	320,725
Total disbursements	<u>-</u>	<u>13,190</u>	<u>-</u>	<u>-</u>	<u>125,382</u>	<u>693,371</u>
Excess (deficiency) of receipts over disbursements	<u>506</u>	<u>1,830</u>	<u>-</u>	<u>-</u>	<u>(125,382)</u>	<u>(216,401)</u>
Cash and investments - ending	<u>\$ 346,876</u>	<u>\$ 61,402</u>	<u>\$ 25</u>	<u>\$ 253,099</u>	<u>\$ 29,104</u>	<u>\$ 59,250</u>

TOWN OF AVILLA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Wastewater Sinking	Wastewater Customer Deposits	Wastewater Cash Change	Wastewater Debt Reserve	Cumulative Wastewater	Water Operating
Cash and investments - beginning	\$ 438,001	\$ 10,857	\$ 25	\$ 259,026	\$ 6,421	\$ 96,455
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	202,952
Other receipts	510,724	1,860	-	-	-	22,091
Total receipts	510,724	1,860	-	-	-	225,043
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	291,154	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	1,360	-	-	-	264,011
Other disbursements	-	-	-	2,450	-	13,508
Total disbursements	291,154	1,360	-	2,450	-	277,519
Excess (deficiency) of receipts over disbursements	219,570	500	-	(2,450)	-	(52,476)
Cash and investments - ending	\$ 657,571	\$ 11,357	\$ 25	\$ 256,576	\$ 6,421	\$ 43,979

TOWN OF AVILLA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Water Bond and Interest	Water Meter Deposits	Water Improvement	Water Cash Change	Water Debt Service	Totals
Cash and investments - beginning	\$ 205,775	\$ 12,040	\$ 270,072	\$ 25	\$ 74,835	\$ 5,637,955
Receipts:						
Taxes	-	-	-	-	-	999,474
Licenses and permits	-	-	-	-	-	6,776
Intergovernmental	-	-	-	-	-	568,148
Charges for services	-	-	-	-	-	17,422
Fines and forfeits	-	-	-	-	-	1,582
Utility fees	-	-	-	-	-	3,077,360
Other receipts	33,007	1,860	-	-	-	1,644,565
Total receipts	<u>33,007</u>	<u>1,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,315,327</u>
Disbursements:						
Personal services	-	-	-	-	-	621,144
Supplies	-	-	-	-	-	82,868
Other services and charges	-	-	-	-	-	592,009
Debt service - principal and interest	55,250	-	-	-	-	467,990
Capital outlay	-	-	-	-	-	128,857
Utility operating expenses	-	962	-	-	-	3,235,349
Other disbursements	-	493	71,902	-	-	1,481,763
Total disbursements	<u>55,250</u>	<u>1,455</u>	<u>71,902</u>	<u>-</u>	<u>-</u>	<u>6,609,980</u>
Excess (deficiency) of receipts over disbursements	<u>(22,243)</u>	<u>405</u>	<u>(71,902)</u>	<u>-</u>	<u>-</u>	<u>(294,653)</u>
Cash and investments - ending	<u>\$ 183,532</u>	<u>\$ 12,445</u>	<u>\$ 198,170</u>	<u>\$ 25</u>	<u>\$ 74,835</u>	<u>\$ 5,343,302</u>

TOWN OF AVILLA
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2010

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 120,000
Buildings	675,624
Improvements other than buildings	2,371,012
Machinery and equipment	<u>1,158,425</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 4,325,061</u>
<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets:	
Land	\$ 24,500
Buildings	849,803
Improvements other than buildings	1,901,365
Machinery and equipment	<u>199,194</u>
Total Water Utility capital assets	<u>2,974,862</u>
Wastewater Utility:	
Capital assets:	
Land	108,431
Buildings	300,937
Improvements other than buildings	7,645,425
Machinery and equipment	<u>744,881</u>
Total Wastewater Utility capital assets	<u>8,799,674</u>
Electric Utility:	
Capital assets:	
Land	65,663
Buildings	82,189
Improvements other than buildings	3,806,778
Machinery and equipment	<u>943,654</u>
Total Electric Utility capital assets	<u>4,898,284</u>
Total business-type activities capital assets	<u>\$ 16,672,820</u>

TOWN OF AVILLA
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
2009 Chevy Impala	\$ 15,909	\$ 4,309
Utilities Superintendent Vehicle	4,124	4,414
Total governmental activities debt	<u>\$ 20,033</u>	<u>\$ 8,723</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
Waterworks improvements	<u>\$ 230,000</u>	<u>\$ 52,810</u>
Wastewater Utility:		
State Revolving Fund loans:		
2000 Sewage works improvements	1,696,000	184,343
2006 Sewage works improvements	2,420,000	130,737
Revenue bonds:		
Sewage works improvements	<u>70,000</u>	<u>38,675</u>
Total Wastewater Utility	<u>4,186,000</u>	<u>353,755</u>
Electric Utility:		
Revenue bonds:		
Electric improvements	<u>2,835,000</u>	<u>246,828</u>
Total business-type activities debt	<u>\$ 7,251,000</u>	<u>\$ 653,393</u>

TOWN OF AVILLA
EXAMINATION RESULTS AND COMMENTS

OLD OUTSTANDING CHECKS (WARRANTS)

Our review of the bank reconciliation as of December 31, 2010, revealed checks in the amount of \$40,926.76, outstanding in excess of two years.

Indiana Code 5-11-10.5-2 states in part:

"All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

Indiana Code 5-11-10.5-3 states in part:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the board of finance of the political subdivision or the fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

OFFICIAL BOND

The Clerk-Treasurer's official bond for the examination period was not for the required amount. The Clerk-Treasurer's bond for the period of January 1, 2008 to January 1, 2012, was for \$60,000. Receipts of the Town are such that a bond should be \$150,000. The Clerk-Treasurer obtained a Rider during our examination and the current bond was increased to \$150,000 effective August 2, 2011.

Indiana Code 5-4-18 (c) states in part:

". . . the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

TOWN OF AVILLA
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee."

SUPPORTING DOCUMENTATION

We noted that Claim Voucher 7808 in the amount of \$200 did not have proper documentation. A similar comment was discussed with the Clerk Treasurer during our last engagement. Due to the lack of supporting information, the validity and accountability for the money disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

GUARANTEE DEPOSIT REGISTER

The Guarantee Deposit Register was not reconciled with the Utility Meter Deposit Fund's cash balance for the Water, Wastewater, and Electric Utilities during the examination period. This was noted in prior Reports B26116, B30752, and B35047. The Water Meter Deposit Fund had \$1,728.44 more than the Guarantee Deposit Register. The Wastewater Customer Deposit Fund had \$945.48 more than the Guarantee Deposit Register. The Electric Meter Deposits had \$3,588.42 more than the Guarantee Deposit Register.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

TOWN OF AVILLA
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
 - (B) a description of the premises, as shown by the records of the county auditor; and
 - (C) the amount of the delinquent fees, together with the penalty; or
 - (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent.
- (c) The officer shall record a copy of each list or each individual instrument with the county recorder . . .
- (e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

MOTOR VEHICLE HIGHWAY FUND DISBURSEMENTS

The Town paid \$18,122.50 for hydrant rental for 2007 and 2008 from the Motor Vehicle Highway Fund. Since hydrant rental is not an approved use of the Motor Vehicle Highway Fund, the General Fund should pay \$18,122.50 to the Motor Vehicle Highway Fund for reimbursement of those expenses (per SBOA Report B35047). These payments were not made during the current examination period.

Motor Vehicle Highway Distribution – approved uses:

Motor Vehicle Highway Distributions are limited by IC 8-14-1-5 to the following approved uses on city and town highways. IC 8-14-1-1 (c) defines the term "highways" to mean "roadway, rights-of-way, bridges, drainage structures, signs, guard rails, protective structures in connection with highways, drains, culverts and bridges and the substructure and superstructure of bridges and approaches thereto and streets and alleys of cities and towns."

- (1) Construction and reconstruction of streets, alleys and curbs.
- (2) Repair and maintenance of streets, alleys, and curbs.
- (3) Oiling, sprinkling, snow removal, weed and tree cutting and cleaning of streets, alleys and curbs.
- (4) Costs of the separation of the grades of crossing of public highways and railroads.
- (5) Purchase or lease of highway construction and maintenance equipment.
- (6) Purchase, erection, operation and maintenance of traffic signs and signals, and safety zones and devices.

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EXAMINATION RESULTS AND COMMENTS
(Continued)

- (7) Painting of structures, objects, surfaces and highways for the purpose of safety and traffic regulations.
- (8) Law enforcement purposes subject to the following limitations:
 - (a) For cities and towns with a population of less than five thousand (5,000) no more than fifteen percent (15%) may be spent for law enforcement purposes.

HYDRANT RENTAL

We noted that the Town did not use the most current hydrant count when computing hydrant rental. The Town of Avilla owes the Water Utility hydrant rental of \$4,776.75 for the years 2009 and 2010, respectively, pursuant to Rate Ordinance 1316-3-95 passed by the Council on March 25, 1995.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS

An Accounts Receivable account for \$36,285.81, due to the Electric Utility, was deleted from the records in February of 2009. Per inquiry of Town Manager, William Ley, this was an account that had no activity for ten years. The company that owed the money filed for bankruptcy some time ago and the Town received a settlement. We did not note approval from the governing body in the board minutes. Also, no documentation was presented for examination that shows compliance with the Town's Ordinance 1424-12-03, Write-Off of Delinquent Accounts Policy.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances. Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

STATE AND LOCAL PAYROLL WITHHOLDINGS

We noted that state and local withholdings for pay period ending December 31, 2010, in the amount of \$480.67 were not submitted to the Indiana Department of Revenue. After discussion about this matter, the Clerk Treasurer has paid the outstanding balance.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directive of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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EXAMINATION RESULTS AND COMMENTS
(Continued)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SRF LOAN AGREEMENT

The Wastewater Utility entered into a Financial Assistance Agreement with the State of Indiana for \$2,560,000. The agreement states that interest will be payable March 1 and September 1 of each year. We noted that the Wastewater Utility did not make the required September 2010 interest payment of \$29,680. Per e-mail from BNY Mellon Corporate Trust, the September 1, 2010 amount was included in the March 1, 2011 invoice and they paid by wire transfer.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

Fund	2009	2010
Rainy Day	\$ 38,851	\$ 6,092
Local Road and Street	5,189	-

There was a similar comment in prior year's Report B35047.

Indiana Code 6-1.1-18-4 states in part:

". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

Form URT-1, Indiana Utility Receipts Tax Return, was not filed for 2009 and 2010.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and towns, Chapter 7)

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EXAMINATION RESULTS AND COMMENTS
(Continued)

UTILITY RECEIPTS TAX

Per prior Reports B30752 and B35047, the Water and Electric Utilities did not pay all of the Utility Receipts Tax to the Indiana Department of Revenue for the years of 2005 and 2006. There is no official documentation supporting that the Electric and Water Utilities paid Utility Receipts Tax to the Indiana Department of Revenue for this period of time as required. It was observed that there was a check written in the amount of \$39,965.94 on December 2008 for tax years 2005 and 2006, but the check is still outstanding and copies of Utility Receipts Tax Returns were not presented during our last examination. In addition, there is no documentation supporting filing of quarterly tax due during the last four years.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$4,310.34 were paid to the Department of Revenue for delinquent utility receipts tax and \$564.12 for delinquent sales tax during the examination period.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF AVILLA
EXIT CONFERENCE

The contents of this report were discussed on September 21, 2011, with Nancy Fischer, Clerk-Treasurer, and Paul Shepherd, President of the Town Council. The officials concurred with our findings.